



ARCADIUS

CAPITAL PARTNERS

ACP ENERGY OPPORTUNITIES III, LP

LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD

OCTOBER 28, 2021



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ACP ENERGY OPPORTUNITIES III – INTRODUCTION

- ARCADIUS CAPITAL PARTNERS (“ACP” OR “ARCADIUS”) ALONG WITH AURORA IS SEEKING INVESTORS FOR ACP ENERGY OPPORTUNITIES III, LP (THE “FUND” OR “FUND III”)
- CURRENT INCOME FOCUSED UPSTREAM OIL & GAS STRATEGY CAPITALIZING ON THE CURRENT MARKET DISLOCATION AND COMPETITIVELY ADVANTAGED MICRO-CAP END OF THE MARKET
- ROBUST PDP DEAL PIPELINE SOURCED BY AURORA, STRATEGIC PARTNER, AND ACP
 - > AN ESTABLISHED ROCKIES OIL & GAS OPERATIONS TEAM WITH SOLID TRACK RECORD
 - > BAKKEN / UINTA / POWDER FOCUSED AND POSITIONED TO CAPITALIZE ON MARKET DYNAMICS
 - > STRONG TEAM WITH INSIGHTS AND EXPERTISE CRITICAL TO UNDERSERVED SEGMENT OF THE MARKET
- PROVEN ACP TEAM HAS WORKED TOGETHER FOR NEARLY 15 YEARS INVESTING THEIR TWO INSTITUTIONAL FUNDS AND PREVIOUSLY SCOTIABANK BALANCE SHEET
 - > ACP: \$193 MILLION INAUGURAL FUND WITH SIX PLATFORM INVESTMENTS (1.4x NET DPI)¹
 - > ACP: \$153 MILLION FUND II WITH SEVEN PLATFORM INVESTMENTS (UNREALIZED)
 - > TESTED STRATEGY AND INVESTMENT PRACTICES THAT HAVE DELIVERED LEADING RETURNS IN THE SECTOR

FUND TARGET OF \$350-750 MILLION WITH A FIRST CLOSE 2021

ACP ENERGY OPPORTUNITIES III – OVERVIEW

The Joint Venture between Arcadius and Aurora is built on complementary insights and expertise, leveraging organizations' strengths and unified around a common goal of building value for our partners.



- EXPERIENCED UPSTREAM PRIVATE EQUITY MANAGER
- TRACK RECORD OF SUCCESSFUL INVESTING SINCE 2007
- DEEP INDUSTRY RELATIONSHIPS SUPPORT SOURCING
- INSTITUTIONAL FUND MANAGEMENT PROCESSES
- COMPLEMENTARY TEAM WITH CRITICAL SKILL SET

- SEASONED BAKKEN / ND OPERATING TEAM
- SOLID EXECUTION RECORD OF BASIN LEADERSHIP
- COMPREHENSIVE TEAM WITH DIFFERENTIATED INSIGHTS
- STRONG WILLISTON BASIN RELATIONSHIPS
- CRITICAL D&C, OPERATIONS AND A&D EXPERTISE

PARTNERSHIP OVERVIEW

- ARCADIUS & AURORA WILL SOURCE DEAL FLOW, JOINTLY EVALUATE AND CAPTURE OPPORTUNITIES FOR THE FUND
- STRATEGY ECONOMICS ARE SPLIT RATABLY BETWEEN ACP AND AURORA
- ARCADIUS WILL LEAD ON PLATFORM EVALUATIONS, RESTRUCTURING AND CREDIT OPPORTUNITIES AND EXIT PLANNING
- AURORA WILL LEAD ON PDP ACQUISITION, MINERALS AND NON-OP STRATEGY WITHIN THE BAKKEN
- ARCADIUS WILL BE RESPONSIBLE FOR REPORTING, INVESTOR SERVICES, COMPLIANCE PROCEDURES AND GOVERNANCE

INVESTMENT COMMITTEE

- INVESTMENT COMMITTEE WILL BE COMPRISED OF 4 ACP AND 2 AURORA REPRESENTATIVES
- FOLLOWING TECHNICAL DILIGENCE AND TEAM RECOMMENDATION, IC MAJORITY VOTE REQUIRED

ACP ENERGY OPPORTUNITIES III – HIGHLIGHTS

- LONG TERM TRUSTED PARTNER TO INSTITUTIONS WITH AN APPRECIATION FOR ARCADIUS' DISCIPLINED OIL & GAS PRIVATE EQUITY STRATEGY AND AURORA'S MARKET FOCUS
- PAST ARCADIUS FUND CLOSINGS THROUGH CHALLENGING BACKDROP WITH FREQUENT INSTITUTIONAL SPONSORSHIP FROM HIGH QUALITY ENERGY INVESTORS
 - > FUND OF FUNDS (GOLDMAN SACHS, NEUBERGER BERMAN, GCM GROSVENOR), HEALTHCARE E&F's, PUBLIC PENSION PLANS
 - > KEY ORGANIZATIONS WITH ENERGY THOUGHT LEADERSHIP
- STRONG ALIGNMENT WITH SIGNIFICANT GP COMMITMENT
- VISIBILITY INTO FUND III PORTFOLIO WITH OPPORTUNISTIC DEALS IN PIPELINE
 - > FOUNDATIONAL ASSET PACKAGE CURRENTLY UNDER NEGOTIATIONS AND DILIGENCE
 - > KEY RELATIONSHIPS WITH MOTIVATED SELLERS AS LENDERS WHO HAVE TAKEN CONTROL OF ASSETS
- PROVEN TEAM WITH CONFIDENCE INSPIRING TRACK RECORD OF ONE OF THE BEST PERFORMING 2010/11 VINTAGE ENERGY FUNDS EXECUTING NOW IN A MORE FAVORABLE INVESTING BACKDROP
 - > FUND 1: TOP QUARTILE PERFORMER FOR VINTAGE; FUND 2: WELL POSITIONED, THOUGH IMPACTED BY COVID
 - > AURORA: LONGSTANDING HISTORY OF PROFITABLE AND EFFICIENT OPERATIONS IN BAKKEN / US ROCKIES

SEEKING ANCHOR COMMITMENTS FOR FIRST CLOSING ON \$350-750 MILLION RAISE

FIRM OVERVIEW – ARCADIUS CAPITAL PARTNERS

- PRIVATE EQUITY FIRM FOCUSED ON LOWER MIDDLE MARKET OF OIL & GAS INDUSTRY

- SUCCESSFUL INVESTMENT PLATFORM LAUNCHED 15 YEARS AGO IN PARTNERSHIP WITH SCOTIABANK
- OIL AND GAS INDUSTRY VETERANS WITH COMPLEMENTARY EXPERIENCE AND EXPERTISE
- COMMITMENT TO DISCIPLINED STRATEGY AND MARKET FOCUS

- RECORD OF GROWING PRIVATE COMPANIES WITH PROVEN “BUY & BUILD” STRATEGY

- EXPLOITING CAPITAL DISLOCATION AND CURRENT INCOME OPPORTUNITIES IN E&P

- BALANCED PORTFOLIO OF INCOME GENERATING REAL ASSET OPPORTUNITIES ACROSS DISTRESSED PDP ACQUISITIONS, MINERALS/NON-OP AND CREDIT
- CAPITAL DEPLOYMENT WITH LIMITED REINVESTMENT RISK AND RETURN VISIBILITY AT UNDERWRITING
- ROI FROM FREE CASH FLOW GENERATION WITH POTENTIAL TO ACCELERATE THROUGH EARLIER SALE
- LEVERAGING FOCUS ON LOWER MIDDLE MARKET INEFFICIENCIES AND SOURCING AND INFORMATIONAL INSIGHTS AND COMPETITIVE ADVANTAGES ON PRODUCING UPSTREAM OIL & GAS ASSETS

- WELL POSITIONED TO CAPITALIZE ON CURRENT MARKET OPPORTUNITY

THE TEAM



ARCADIUS LEADERSHIP TEAM

EXPERIENCE

PRIOR EXPERIENCE

EDUCATION

JAY BROWN



27 YEARS

Oil & Gas Investing

Oil & Gas M&A and Valuation

Oil & Gas Investment Research

SCOTIA WATEROUS

Managing Director

WATEROUS & CO.

Managing Director

ARC FINANCIAL GROUP

Investment Analyst

PH.D. (ABD), FINANCE

University of Calgary

MA, ECONOMICS

University of Calgary

BA, ECONOMICS

University of Calgary

DON HANSEN



40 YEARS

Oil & Gas Investing

Direct Oil & Gas

Operations

BLACK GOLD ENERGY, LLC

Board of Directors

UNOCAL CORPORATION

VP. International Energy Operations

NORTHROCK RESOURCES LTD.

President and CEO

BS, ENGINEERING

University of Saskatchewan

APRILL NELSON



13 YEARS

Oil & Gas Investing

Oil & Gas Operations

Oil & Gas M&A

SCOTIA WATEROUS

Associate

SWIFT ENERGY CO.

Reservoir Engineer

HIGHMOUNT EXPLORATION &

PRODUCTION LLC

Reservoir Engineer

BS, PETROLEUM

ENGINEERING

Colorado School of Mines

REGISTERED PROFESSIONAL

ENGINEER

State of Texas

TYM TOMBAR



25 YEARS

Oil & Gas Investing

Oil & Gas M&A

Oil & Gas Corporate Finance

GOLDMAN, SACHS & CO.

(Houston)

VP, E&P Capital

GOLDMAN, SACHS & CO.

(NY and Houston)

VP, Natural Resources

MBA

Stanford University

AB, APPLIED MATH

Harvard University

AURORA MANAGEMENT TEAM

RANDY NESET



PARTNER

*Direct Oil & Gas
Operations / PE*

20 Years Experience

BS., MT School of Mines

Mr. Neset has lived and worked in the Williston Basin across all types of field operations. Prior to joining Spotted Hawk in 2010, Mr. Neset was employed at Hess where he oversaw two new Bakken fields. Mr. Neset has particular expertise in geo-steering horizontal Bakken and Three Forks wells. Mr. Neset has held various jobs in the Williston Basin including mudlogger, rig hand, and roughneck with Neset Consulting, Eagle Well Service and H&P Drilling. Mr. Neset is a veteran of the Montana Air National Guard and is a member of the Society of Petroleum Engineers and American Petroleum Institute.

BRENT BRANNAN



PARTNER

Oil & Gas A&D Evaluations

Oil & Gas Land & Strategy

*MBA, U of M / BA, Dickinson
State Univ.*

Mr. Brannan provides land, title examination, and consulting services. He began acquiring acreage in 2010 and has since participated in over 200 wells within the Williston Basin. He has facilitated lease transactions by creating a consortium of non-operating leaseholders/partners. Mr. Brannan was appointed as the Director to the North Dakota Oil and Gas Research Program by the North Dakota Industrial Commission in 2009; and serves as the Vice President of the Northern Plains Heritage Foundation Board and is a member of the American Association of Professional Landmen.

KATHY NESET



PARTNER

Business & Consulting

42 Years Experience

BA, Brown University

Ms. Neset provides engineering, geologic, and geo-steering services and expertise to the oil industry through her consulting business. Ms. Neset is the current Chair of the ND Petroleum Council., is a current member of the ND State Board of Higher Education and is a certified Women's Business Enterprise National Council professional and certified Woman Owned Small Business. Kathleen is former board member of the Federal Reserve Bank of Minneapolis. Kathleen was a participant at the US Army War College National Security Seminar week, and each year since she presents at the US Army War College Seminar on Energy and National Security. Ms. Neset was inducted into the North Dakota Petroleum Council Hall of Fame and received the Williston Basin Chapter Lifetime Achievement Award. Ms. Neset was awarded the Virtuous Leadership Award from the University of Mary in 2017.

STRATEGY



INVESTMENT STRATEGY

- BUILD, GROW AND HARVEST REGIONALLY FOCUSED UPSTREAM (E&P) ASSETS WITH GP'S STRATEGIC FOCUS ON COMPETITIVELY ADVANTAGED AND MOST UNDERSERVED SEGMENT IN THE ROCKIES

- FAVORING TRIED-AND-TRUE ACQUIRE & EXPLOIT STRATEGY WITH GP'S NOVEL ADAPTATION TO FOCUS ON MICRO CAP SIZE DUE TO INEFFICIENCIES AT MARKET AND ASSET LEVELS
- ACQUIRE: BUY RIGHT – OPERATING AREA, VALUE, ACQUISITION METRICS AND ASSET PROFILE
- EXPLOIT: REDUCE COSTS, MITIGATE PRODUCTION DECLINES AND GENERATE CASH FLOW THROUGH MANAGEMENT OF AN UNDER EXPLOITED ASSET PORTFOLIO GENERALLY AT CAPITAL EFFICIENCY WELL AHEAD OF EXIT MARKET METRICS
- EXIT: TARGETING GROSS IRR'S OF 20%+ AND ROI'S IN EXCESS OF 1.8x OVER A 2 TO 6 YEAR HOLD PERIOD

- LEAD YIELD ORIENTED INVESTMENTS ACROSS A BALANCED PORTFOLIO OF MINERALS, OPPORTUNISTIC PDP ACQUISITIONS AND DISTRESSED / RESTRUCTURING CREDIT

- BALANCED PORTFOLIO WITH DOWNSIDE PROTECTION AND NEAR-TERM CASH FLOW BASED RETURN OF CAPITAL
- PROACTIVE TARGETING OF ASSETS BASED UPON INVESTMENT PROSPECTS AND STRATEGIC FOCUS
- DILIGENCE THROUGH COMPLEXITY / SPECIAL SITUATIONS, GOOD GOVERNANCE PRINCIPLES, INTENTIONAL DECISION MAKING AND CONSISTENT VIEW OF OUTCOMES AND RISK MITIGATION FACTORS

- LEVERAGE TEAM'S LONGSTANDING RELATIONSHIPS TO DRIVE PROPRIETARY OPPORTUNITIES

- SOURCING LESS COMPETITIVE, BUT STILL HIGH-QUALITY DEAL OPPORTUNITIES REQUIRES MARKET PRESENCE, INSIGHTS AND RELATIONSHIPS
- UNCONVENTIONAL APPROACHES TO MINERALS "GROUND GAME" REWARDED WITH BETTER BUY METRICS
- COMMANDING BUYER ATTENTION FOR EXIT PLANNING AND EXECUTION

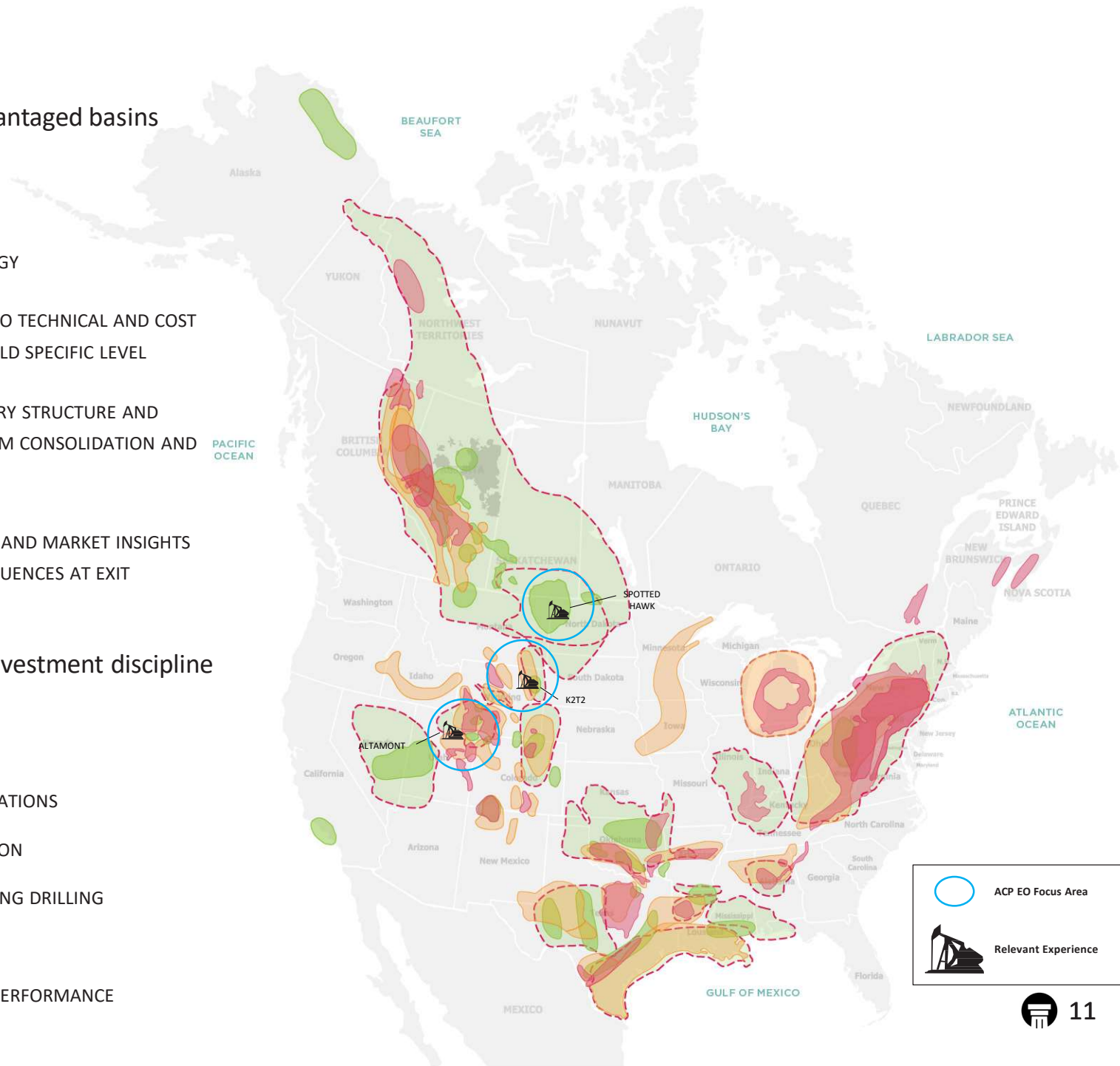
CURRENT INVESTMENT FOCUS AREAS

Investments in strategically advantaged basins with ample targets

- PROACTIVELY TARGET SELECT AREAS MOST CONDUCTIVE TO STRATEGY
- LEVERAGE OUR TEAM'S INSIGHTS INTO TECHNICAL AND COST ATTRIBUTES ON A REGIONAL AND FIELD SPECIFIC LEVEL
- ATTENTIVE TO ELEMENTS OF INDUSTRY STRUCTURE AND MARKET FRAGMENTATION TO INFORM CONSOLIDATION AND EXIT PROSPECTS
- PROPRIETARY REGIONAL VALUATION AND MARKET INSIGHTS INTO M&A HISTORY AND LIKELY INFLUENCES AT EXIT

Downside protection through investment discipline

- LOW ENTRY COSTS
- LIMITED ADDITIONAL CAPITAL OBLIGATIONS
- STRONG FREE CASH FLOW GENERATION
- MINIMAL REQUIREMENT FOR ONGOING DRILLING
- LOW G&A COST / CARRY STRUCTURE
- VISIBILITY INTO WELL HISTORY AND PERFORMANCE



IMPLICATIONS FOR DEAL SOURCING AMID CAPITAL DISLOCATION

- ADMITTEDLY, THE NORTH AMERICAN E&P INDUSTRY HAS CHALLENGED CAPITAL PROVIDERS OVER THE PAST 18 MONTHS, IF NOT SEVERAL YEARS
 - ASSETS IN DECLINE IN RESPONSE TO PRICE, MORE LIMITED CASH FLOWS AND DISTRESS IS APPARENT
 - CAPITAL STARVED SECTOR HAS PRIORITIZED FOCUS ON TOP TIER ASSETS
 - INFORMATIONAL INSIGHTS AND CONSIDERATIONS ON ESG ARE EVEN MORE CRITICAL TODAY
 - COST ADVANTAGED ASSET POSITIONS CAN STILL GENERATE STRONG RETURNS
- OUR DEAL PIPELINE AND THE OVERALL PROSPECTS FOR INCREMENTAL CAPITAL DEPLOYMENT HAVE SIGNIFICANTLY BENEFITED FROM THE PRICE VOLATILITY
 - FORCED SELLERS WITH LIMITED BUYER ATTENTION DRIVING DEALS AT DISCOUNTED METRICS
 - ENTRY COSTS MUCH LOWER AS ASSET VALUES REFLECT LIMITED REINVESTMENT AND DRILLING
 - DEALS UNDERWRITTEN TO STRESS TO LOW PRICES POISED TO DELIVER OUTSIZED RETURNS WITH MODEST RECOVERY IN BUYER APPETITE OR IMPROVEMENT IN SHAPE OF FORWARD CURVE
 - COMPETITION DISTRACTED MANAGING THROUGH LEGACY PORTFOLIOS
 - OUR TEAM'S TRANSACTIONAL STRENGTHS AND ABILITY TO WORK THROUGH COMPLEXITY ARE INVALUABLE
 - RELATIONSHIPS THROUGH EXIT PLANNING AND HISTORICAL BUSINESS DEVELOPMENT EFFORTS DRIVE UNIQUE INSIGHTS INTO DISTRESSED ASSETS AND DEAL SOURCING
 - FAVORABLE ENTRY COSTS ATTRIBUTES, TYPICALLY ONLY CHARACTERISTIC OF ONLY SMALL DEALS, NOW MORE PREVALENT ACROSS A BROADER RANGE OF LARGE SCALE ASSETS

DEAL PIPELINE



ROBUST DEAL PIPELINE FOCUSED ON NORTH DAKOTA



LOCATION

Bakken / Powder / Uinta

TOTAL SIZE

~55K Net Mineral Acres
Title Diligence Ongoing

TOTAL AMOUNT

\$200 million (PDP PV-14)

DESCRIPTION DEAL IN PROCESS

- More than 15 deals across our three basins of focus
- Diverse minerals packages in most cases across dozens of wells and multiple counties, varied oil/gas mix
- Multizone potential and incremental PUD development potential over majority

INVESTMENT THESIS

- Focus on area of strategic importance – cost competitive and strong current cash flow
- Buying from motivated sellers with whom team has established relationship and trust
- Capitalizing on the current dislocation, solving a problem for seller, while creating value for investors
- Ability to build balanced asset base with compelling level returns and low entry costs
- High visibility on exit alternatives given durable returns from production and development play upside

SEVERAL ILLUSTRATIVE ASSET PACKAGES

TARGET 1	TARGET 2	TARGET 3	TARGET 4	TARGET 5	TARGET 6
LOCATION WILLISTON BASIN	LOCATION POWDER RIVER BASIN	LOCATION WILLISTON BASIN	LOCATION MULTIPLE BASINS	LOCATION UINTA BASIN	LOCATION POWDER RIVER BASIN
COMMENTS 37,000 NMA, OILY, PUD-HEAVY, OP/NON-OP	COMMENTS 2,000 NMA BALANCED \$3 MM, 600 WELLS	COMMENTS 15,000 NMA, OILY, PUD-HEAVY, OP/NON-OP	COMMENTS 1,200 NMA, 450 WELLS MRO/EOG/SM OPERATED	COMMENTS DISTRESSED OPPTY OIL, PDP HEAVY	COMMENTS VT WELLS, CONCENTRATED, OILY / UNDERDEVELOPED

POTENTIAL FOR TWO ADDITIONAL LARGE SCALE FAMILY PACKAGES IN CONVERSATIONS OVER PAST 8 MONTHS

—> RELATIONSHIPS WITH SELLERS PROVIDE AN EARLY LOOK, BUT DEALS MAY SOON BE MARKETED

TARGET 1

LOCATION

Williston Basin
(Bakken Shale Play)

EQUITY COMMITMENT

\$35 - \$45 MILLION

PRODUCTION

~1,800 Boe/d
(06/30/21)

2021 TP RESERVES

~45 MMBoe (76% Oil
& Liquids)
5 MMBoe (PDP)

UNDEVELOPED ACREAGE

~30,000 net acres

BUSINESS DESCRIPTION

- WILLISTON BASIN FOCUSED TEAM WITH LONGSTANDING RELATIONSHIPS AND INSIGHTS INTO THE BASIN
- EXISTING ASSET POSITION WITH MODEST PDP AND LARGE CORE PUD INVENTORY
- MIDDLE BAKKEN AND THREE FORKS LOW RISK DEVELOPMENT TARGETS
- TECHNOLOGICAL AND COST EFFICIENCY LEADER IN THE REGION ON D&C

OPPORTUNITY

- PARTNER WITH STRONG MANAGEMENT TEAM WITH TRACK RECORD OF BUILDING VALUE WITHIN THE BASIN
- CAPITALIZE ON THE CURRENT DISTRESS, DISLOCATION OF CAPITAL AND MANAGEMENT ATTENTION TO SCALE THE PLATFORM

INVESTMENT THESIS

- GENERATE STRONG PROFITABLE PRODUCTION AND RESERVE GROWTH WHILE CREATING AND SUSTAINING JOBS IN NORTH DAKOTA
- ABILITY TO BUILD OIL LEVERED ASSET BASE WITH COMPELLING PROJECT LEVEL RETURNS AT LOW ENTRY COSTS
- HIGH VISIBILITY ON GROWTH OPPORTUNITY GIVEN SOLID OPERATING PARTNERS, DURABLE RETURN CONVENTIONAL PLAYS WITH RESOURCE PLAY UPSIDE

ARCADIUS VALUE ADD

- ADDED ACQUISITION CREDIBILITY DUE TO RELATIONSHIP WITH SELLER
- INFORMED BUSINESS DEVELOPMENT EFFORTS AND ASSET VALUATION
- INFORMED VIEW ON REGION, PLAY AND TEAM FROM EXISTING RELATIONSHIPS

WRAP UP



CLOSING THOUGHTS

- ARCADIUS CAPITAL PARTNERS IN PARTNERSHIP WITH AURORA IS TARGETING ANCHOR INVESTORS / PARTNERS FOR A FIRST CLOSING OF FUND III IN Q4 2021
- PURE-PLAY OPPORTUNISTIC UPSTREAM OIL & GAS STRATEGY CAPITALIZING ON THE CURRENT DISLOCATION AND UNDERSERVED, COMPETITIVELY ADVANTAGED LOWER MIDDLE MARKET
- FUND III IS STRATEGICALLY FOCUSED ON NORTH DAKOTA
 - > **100% OF LEGACY FUND CAPITAL TO BE DEPLOYED IN NORTH DAKOTA**
 - > **NORTH DAKOTA INVESTMENT PROFESSIONALS PARTICPATE IN 40% OF GP**
 - > **NEW OFFICES OPENING IN TIOGA AND BISMARCK**
 - > **INCREASES LEGACY FUND TAX REVENUE, JOBS, LOCAL AND STATE TAX REVENUE**
- PROVEN TEAM HAS WORKED TOGETHER FOR NEARLY 15 YEARS LAUNCHING THEIR THIRD INSTITUTIONAL PARTNERSHIP
 - > TOP DECILE PERFORMANCE AMONG ENERGY PRIVATE EQUITY WITH INAUGURAL FUND
 - > CURRENT FUND WITH FAVORABLE PORTFOLIO POISED TO RECOVER FROM CRUDE MACRO CRISIS
 - > SIGNIFICANT ALIGNMENT WITH A GP COMMITMENT OF 3%

ANCHOR ORDER OF 25% OF FUND / FUND TARGET OF \$350-750 MILLION WITH FIRST CLOSE IN 2021

CONTACT US



www.arcadiuscapital.com

JAY BROWN <i>Co-Founder & Managing Director Western Canadian Place – South Tower</i> 700 9 th Ave. SW, Ste. 1100 Calgary, AB T2P 3V4 1.403.261.4239	TYM TOMBAR <i>Co-Founder & Managing Director</i> <i>Pennzoil Place – South Tower</i> 711 Louisiana St., Ste. 1400 Houston, TX 77002 1.713.437.5068	BRENT BRANNAN <i>Director</i> <i>Suncrest Office Park</i> 1110 College Dr., Ste 212 Bismarck, ND 58503 1.701.425.1237	RANDY NESET <i>Director</i> <i>NCS Building</i> 6844 State Hwy 40 Tioga, ND 58852 1.701.641.0778
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